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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 13, 2014

CERTIFIED RETURN RECEIPT
7012 3460 0002 9559 5499

Carsten Mortensen
Utelite Corporation
P. O. Box 387
Coalville, Utah 84017

Subject: Notification of Surety Bond Rating Change, Utelite Corporation, Utelite and Grass Creek Utelite Mines, M/043/0004 and S/043/0029, Summit County, Utah

Dear Mr. Mortensen:

The Division of Oil, Gas and Mining has been notified that the performance rating for Lexon Insurance Company, the company providing the reclamation sureties for the Utelite and Grass Creek Utelite mines, has dropped to an unacceptable level. The A.M. Best Rating for Lexon Insurance Company was previously A-, but it has now dropped to B+.

The following rule applies to all corporate surety bonds held by the Division:

*A corporate surety bond from a surety company that is licensed to do business in Utah, that is listed in "A.M. Best's Key Rating Guide" at a rating of A- or better or a Financial Performance Rating (FPR) of 8 or better, according to the "A.M. Best's Guide". . . . **When the Division in the course of examining surety bonds, notifies an operator that a surety company guaranteeing its performance does not meet the standards of subsection 4.11, the operator has 120 days after notice from the Division by mail to correct the deficiency, or face enforcement action (emphasis added).** (Rules R647-4-113.4.11, R647-3-111.4.11, and R647-2-111.4.11)*

The Division must receive confirmation that this rating has been upgraded to the A- minimum classification, or receive a replacement reclamation surety within 120 days of your receipt of this notice. The replacement surety may be submitted in the form of another surety bond, a letter of credit, a certificate of deposit, or cash. Please contact the bonding coordinator, Penny Berry, at 801-538-5291 for additional information about submitting the new surety.

Failure to comply with the requirements of this letter may force the Division to take appropriate enforcement action, including issuance of fines and ordering cessation of operations.

Page 2

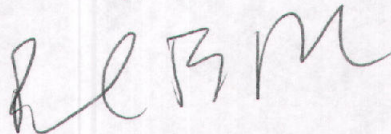
Carsten Mortensen

M/043/0004 & S/043/0029

January 13, 2014

Thank you for your cooperation and understanding. If you have questions about the requirements of this letter, please contact Penny Berry at the number shown above, Leslie Heppler at 801-538-5258, or me at 801-538-5261.

Sincerely,

A handwritten signature in dark ink, appearing to read 'P. B. Baker', with a stylized, cursive script.

Paul B. Baker
Minerals Program Manager

PBB:pb

cc: Steve Alder, AAG

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